

City Council Special Called Meeting Work Session Transcript – 05/26/2015

Title: ATXN 24/7 Recording

Channel: 6 - ATXN

Recorded On: 5/26/2015 6:00:00 AM

Original Air Date: 5/26/2015

Transcript Generated by SnapStream

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>> Mayor Adler: Good morning. We have a quorum. I'm going to call to order the special called meeting Tuesday, May 26, 2015. We are in the board and commission room at Austin city hall, 301 West Second Street, Austin, Texas. The time is 9:35. We're going to recess the meeting or -- not recess. We're going to move into executive session as noticed to take up three items. Pursuant to section 551.074 of the government code the city council will discuss the following item, personnel matters related to the appointment of the city auditor pursuant to the government code, city council will discuss the following item, item 4, matters related to large primary transmission electric customers, pursuant to section 551.071 of the government code, city council will consult with legal counsel regarding item 5, legal issues associated with city council resolution number 2014062.565, that directs the city manager to file the -- would direct the city manager to file a challenging petition with the Travis county appraisal review board relating to commercial property values set by the central district. By way of choreography for today's meeting we're going to go into executive session so that we can discuss these three items. At 10:00, we'll have the meeting -- the TCAD meeting. We've invited, as I had said last week, and representatives of some of the other large taxing entities in the city just to sit around collectively around this table in the round so that they can

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hear the kinds of information that we're hearing so that we can talk to them about what we're anticipating or thinking about doing so that they have an opportunity to tell us what they're hearing so that all of us sitting around this table from all over Travis county and touching Travis county have an opportunity to exchange information. We're going to do it in this room so that it can also be videotaped and archived, that conversation. While we're in executive session, I think the balance and Kathie and I will be participating in that conversation to share what we have. We could have six or more different jurisdictions. They were invited to bring their CFO, their CEO, their counsel to sit around the table, five or six entities, three to five people. You know, we could have 15 to 25 people to sit around this table. The balance of the council could come back in and be in the room or the council could continue on with the city council meeting. In fact, we could probably dispense with this right now floodplain was supposed to be a briefing some morning on the flood control buyout program. There's a problem with doing that this morning. The first one is Elaine Reiser, the person speaks to it most is flooded in in Bastrop, Wimberly, wherever she is, we wish her the best. She's okay just can't get here. And the rest of the watershed

management folks, as you might imagine, are dealing with watershed management issues this morning so we probably will not have then that

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briefing. That then gets us then just back to this room to be able to talk to the people. That will not be a city council meeting. That's just an opportunity for people to talk. So we're going to break now and we'll -- Kathie and I will be back here at 10:00 with whatever other councilmembers want to be in the room. Let's go to executive session. >> Gallo: Do we expect a large attendance for the 10:00 briefing about the tax challenging? I'm just thinking if you've got other people and councilmembers sitting back here and you have other people that want to hear, their only option is out in the atrium if they want to be present. Would it make sense to move it to council chambers and set up the round table in front of the dais and councilmembers could sit at the dais and the -- you could have the conversation when you have plenty of audience space. >> Mayor Adler: We can talk about this. The problem was we could have 25 people, not city council. So the question was we had two layers there. We could put the guests up on the dais with me and Kathie and some people down below but that puts us at two different elevations. The original thought was to pull everybody off the dais and just have this same kind of round table in that central area but it actually looked like we had more room to be able to pull in chairs and have people sitting in a round in this room than in -- than in that room. >> Gallo: Okay. >> Mayor Adler: And this room is -- this is not a public hearing. We have also set an opportunity for briefing as our council. So at the end of having this council meeting, we could, as a council, reconvene in work session either here or - when

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we were talking about doing this, as I said last week on the dais, my first thought was for Kathie and me to just get in our car and go visit the other taxing jurisdictions, sit down with them so that we could hear what they were saying because they wanted to share what they were thinking and the like. But that didn't make sense to do. So this is kind of, like -- they're two different things. There's that opportunity for those folks to be able to share and then Kathie and I would report back to the council as we would if we were going off in those conversations. And then there's the second opportunity for us, because it's been noticed for there to be a council briefing, too. But the logistics were such we thought we could get more of the people sitting around this table. You know, this enabled us to put 13, 14, 15, 16 -- 19. That could accommodate all the guests we have. We pull in additional chairs. I think we could get to the 25 number. I think that will last an hour so that they -- you know, we have different attorneys that are coming. I want the attorneys to be able to talk to one another so that the aid attorneys can ask the attorney from Travis county a question so that it's kind of an interactive kind of thing so they can ask each other questions as well. >> Gallo: And I think that's -- I agree with all of that. My concern is I think this is an issue that's very important to the public and that we want to make sure -- and you mentioned it already. It would be televised. I think people are very interested and I think they need to hear this conversation. I'm glad y'all made the decision to have it here versus go on the road. Then it's actually hearing instead of your interpretation. My concern is, it may be because of the weather and issues we had yesterday, that we do not have the public appearance here that we normally would. I just want to make sure that if we have enough people that want to sit and actually hear it, that we have space for the public to hear, not

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participate. >> Mayor Adler: And we have that room available to us if we have too many people here and it doesn't fit. >> Gallo: We can move over? Okay, thank you. That's my only concern. I think this is really an important conversation for the community to hear. >> Mayor Adler: I would point out for anybody watching that this is set to be considered on Thursday and the public will have an opportunity to be able to comment. >> Gallo: Right. >> Mayor Adler: But on Thursday, when we'll consider the resolution. That's an opportunity for the public to sign up and be able to come and address the council. >> Gallo: Okay. >> Mr. Mayor, excuse me -- sorry. >> That's okay. >> Houston: Mayor, I don't have a problem with not being in the room because I can watch it on the television, but if it's a concern about the public, can it be duly broadcast in a larger space, can it be broadcast in council chambers so if there were a lot of people who showed up they could sit in council chambers and watch deliberations in the smaller room? >> Mayor Adler: It can be. It can be broadcast in the lobby as well. If we have a lot of people, people sitting in the chairs, that would be a good idea. >> Kitchen: Mr. Mayor, the other potential might be if you can put some chairs behind these chairs so if any of the councilmembers want to participate we could sit behind and not take up space out there. >> Mayor Adler: That would work too. Okay? Then we'll go back to executive session room, be back out here in 20 minutes. [Executive session]

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>> Mayor Adler: Good morning. I want to thank everybody for coming down. The record needs to reflect that because you're in our house here, we have a majority, I think, of our council present. This is a continuation of the work session meeting that we called into order this morning, just for the purposes of the record. It is 10:20. We're here today just as all members of the community because each of us are looking at and trying to decide whether or not, or in what way to use the challenge tool as a way for our community to make things as fair as they can possibly be with respect to property tax that the citizens in central Texas are paying. We have a combined goal of making things as fair as they can possibly be. And at the same time, we have a goal of us all acting in a way that allows for the orderly administration of business for each of us as taxing entities. And there are, what, 117 entities in Travis county that all have an interest in what happens here. But there were a lot of conversations that were happening with us and the city, and with various taxing entities and other government organizations. And they were one-off conversations. And as soon as I would finish a conversation, it was apparent to me that other people should've been on the phone, too, so that they could hear the kind of conversation that was happening. So, we thought the best way to

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do it was just to gather everybody into one place, in one setting. And then everybody could hear everybody else. But let me go ahead and frame this as best I can for the conversation that we have, and then it would be good, then, to go around the table and have everybody identify who they are. And then to pass the microphone out, because I think we have some representatives that are here potentially

from other taxes entities, or other businesses -- other governmental entities. And I want to make sure that everybody is able to participate. In fact, let me ask that question. Is there anybody in this room associated with a governmental or taxing entity that does not have someone else also with that entity sitting at this blue table? Do you want to come up and join us? Is there a way to -- >> They can sit here. Somebody can sit here. I'll sit -- >> Mayor Adler: Do we have another chair? Here's a chair, here. Come on up and join us. I see buck raised his hand. He's an attorney. We may call him up in just a little bit to talk to us. He might be able to give us some perspective on the law. So, there have been some conversations in our community going back for several years now about a desire to make the property tax system as fair as it could be. Some of the conversations that were occurring a year ago were about the relative valuation of commercial and residential property, which would be one aspect of that. I know from watching maria as she has talked with the community, charged with the responsibility of appraising the property, that the more data she could have, the fair and better job she believes she could do.

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Data is a really hard thing to come by, the way the system rules are set up. And as I listen to her, that convinced me there was an issue that was present. There were a lot of efforts of the legislature this session to see if there were things that could be done at the state level to provide additional data. And the legislature chose not to act in that regard this year. Equal challenges, where a property owner can challenge their tax valuation not on the basis of market value, but on the basis that they're not being treated fairly and equally, and uniformly with other similar property owners. And that could be without regard to market value. So, if people -- even if you're appraised at market value, if comparable properties are not, you're entitled to have your value reduced, as well. And we could have a situation, with spiral down that way. There was an effort, you know, to ask the legislature to try and help ensure that actual valuation is related to market value, and the legislature chose not to act in that regard this session, as well. So one of the questions that we have for each of us individually is whether or not to bring a challenge as a tool, or a way to try to address these two concerns. I will start off by saying that I believe that the appraisal district does an incredible job with the data that it has. And nothing about my interest in this personally relates to any sense at all that the appraisal district has not done its job. In fact, has not come up with,

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perhaps, the exactly correct answer based on the data that's available. But I am mindful that the appraisal district has been asking, and trying to get ways to get more data. So, the last council in Austin commissioned a study to try to determine whether or not if you had additional data, whether the ad appraisals for commercial property -- there was a comparison of what the appraised value was as compared to what that actual property sold for at or about the time of the valuation. Armed with this additional data, it was the conclusion of the authors of that report -- and that report, by the way, is publicly available, since we got it last week. It has been posted on our website. It's on the bulletin board, probably several different places. If anyone can't find it, let us know, and we can get that. That report concluded substantial material difference between the ad valorem value and what the property sold for. Given that, several questions all rise. One is about the methodology of the report. One is about the data that's used in the report. And if, in fact, that is a variance that is valid, if we work collectively as a community, does it make sense for us to initiation a challenge -- does that give us tools? Does that give us opportunities to make the system as fair as possible that might not otherwise exist relative to those initial two challenges that we have. And if we're all working

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together cooperatively, is there a way for us to do it where people can pay their tax bills this year, or pay taxes this year so that they have the income tax advantage of doing so? And I think that some of the early indications are that they would be able to. That we could work that out so that that could happen. It also gives rise to the question about the timeliness of having a certified tax roll and making sure that people would have that tax in jurisdictions so that they could set their tax rate and budgets to have income coming in as they have pro-formate. And my hope is that this is a way for us to be -- organizations. I don't anticipate that at this table we're going to come to any kind of conclusion. And that's not the purpose of this, or to take a vote. What we're trying to do is get as many issues out and share as much information as we can with a goal to getting us the best opportunity to determine whether or not this is a tool that as a community, collectively, in a non-adversarial, but in a cooperative way, we might be able to use and avoid and mitigate the ramifications that might be associated with that. Obviously, the deadline here is very short. If an appeal is going to be made, our council would need to act the day after tomorrow. So one of the other issues to discuss is whether or not we or other jurisdictions could file an appeal or a challenge in order to keep that door open, recognizing that we could pull down that challenge in four days or seven days if it was the appropriate thing to do. But preserving that opportunity. And I hope that whatever we decide, we can come up with a best practice for a community.

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If we can come up with that, then maybe it's something that San Antonio or Houston, or Dallas uses a year from now. And if we have individual areas that are beginning to try to figure out workarounds the system, maybe the legislature does look at this two years from now in terms of the overall system. So, I think that frames the question. And I think we're just trying to share collective knowledge. We have some attorneys here, and I would be interested in hearing different people's assessment on ways we might be able to use this. Maria, your folks might want to address how we could use the tool collectively, address the question, attorneys, on whether or not if we did this, whether we lose a certification or tax roll until November so the tax bills can't come out until next year. The question of whether or not people can pay estimated payments. The best way to start would be to go around the table and introduce who we are so that people can see who's present with us today for this conversation. Do you want to start us off? >> Richard groves, president of Austin community college. >> Vic, chair of the board of Austin community college. >> Finance administration for Austin community college. >> Susan, tax office manager. >> Monica R., deputy associate, Travis county tax office. >> Troxclair, city council. >> Gallo, I served as a tax arbitrator a handful of years

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ago. >> Kitchen: Ann kitchen, Austin city council. >> Chief appraiser of Travis central appraisal district. >> Debbie, Olson & Olson, central appraisal district. I'm sorry. It's green. I must not be close enough. Debbie cartwright with a law firm representing the Travis central appraisal district. >> Trish, president, CEO, central health. >> Katrina D., chair of -- health. >> Nicky Riley, Travis county auditor. >> Travis, assistant budget director. >> Attorney. >> Asset collector. >> George, mayor pro tem. >> Greg, councilmember, round Rock. >> Cedar park city council. We're going to be criticizing the legislature, I used to serve in the legislature. >> Mel, chef of staff for the Austin school district. >> Nicole, chief financial officer, Austin independent school district. >> Attorney representing Austin independent school district. >> Robert powers, finance director, city of Leander. >> Casar: Greg Casar. >> District one, Austin

city council, ora Houston. >> Zimmerman: Don Zimmerman, northwest Austin, district six. >> Renteria: Rio Renteria. >> Pool: Leslie pool, district seven, central north Austin. >> Tovo: Kathie tovo, mayor pro tem for Austin city council.

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>> Mayor Adler: All right, thank you. So, I think now would be the time to open it up for conversation. The answers that we're trying to address is whether or not this is a useful tool. And whether or not -- what are the challenges that we would need to be mindful of if we were to potentially use this kind of tool. >> If you don't mind, if I could go first and kind of explain? Give you a little back ground on how the appraisal district operates and the concerns that we've had after reviewing the report, and some things we've done this year in terms of Val of -- valuations, in the commercial portfolio. I'll start out with a review of the report and some concerns that we have with the conclusions that were drawn and the methodology that was used. I'll be brief. We've got copies of the report for you to talk about. One of the things we had a concern with was the definition of undervalued. Typically, when you think about undervalued property, it's undervalued by 20%, you think it's 80% of value. In the methodology they used, that's not how the math worked out. They did an appraised value divided by the percentage undervalued minus one to come up with the percentage. We think the math should be calculated differently with that. In the example we give, for example, if a parcel had a market value of \$10,000, on page 6 of the report, it was undervalued by 20%, it would be priced at eight how dollars, which is not how the report is studying. The formula would represent the land to be undervalued by 20%. The formula calculates the amount the price would've to achieve 1% of the market

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value, different than the general interpretation. So, in the example below, 10,000 divided by 8,000 - 1 is 20% undervalue, if you go 10,000 - 8,000, that's 2,000, and there's a significant difference between 25%, or 20%, when you state the level of undervaluation. We have concerns with the time adjustment calculations that were made. In one case, we found that the time adjustment calculation was an additive. It should've been a subtraction in the calculation. We don't have the underlying data. We don't know if it was isolated or present throughout all of the adjustment they made in the report. We have a significant concern with the methodology used in the executive summary of the report. Our appraisal district, when we do appraisals, we look at sales that have occurred. We look at sales that occurred in the previous year and compare that to the values we appraised to determine whether or not our ratio is appropriate. In this study, they looked at sales in the calendar year which were sales that were not available to the appraisal district at the time that we made our appraisal. We must send our notices out and get them done in the first quarter of any calendar year, so even if we had full sales disclosure in the state, we would not be able to adhere to the methodology they used to determine 40% undervalued. At the time we made the appraisals, that data did not exist. You know. And they state in their report, they could not do an analysis of the 2015 values based on sales in 2015 calendar year because the data doesn't exist. They did an alternate review and looked at the appraised values compared to the sales that occurred in the previous year. And it turned out -- it was a significant difference. Rather than stating the

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appraisal district was undervalued by 40 account, it says it was under-appraised by 16%. We feel if you make the corrections and start with 16%, make the corrections for the math in reporting under-

appraised value and make the corrections for the time adjustments we saw that the report indicates the appraisal district is under-appraised by 10.5%. It's a really different perspective in terms of the magnitude of underappraisal on commercial values. But, standards, we have a threshold of 10%. The comptroller, 5%. The standards are very close, required by the iaao and the comptroller's office. In the report, when they look at by portfolio, in the level of appraisal by different categories, they're stating that for large office, the highest-valued properties, we are within 5%. The undervaluation is under 5%. It's not going to be an overall increase of the total commercial portfolio, because they're already saying we're on target on large office. This is telling us we need to make an adjustment on the small businesses and increase them. When we do that, they're lower-valued properties. The amount of adjustment that will occur may not be as significant as the report might initially indicate. I've given you a copy of what we've done this year. We've been very aggressive in reviewing and trying to get additional data. We hired additional staff. We got additional market research data. We're doing things in Travis county that are unprecedented by any other district in the state in terms of our efforts to get commercial data. This year if you look at our preliminary 2015 values, by commercial portfolio, you see that we've made substantial

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increases in the commercial portfolio. We increased our commercial portfolio in the city of Austin, 23%. Our industrial increase 37%. Office increased 31%. Retail increased 27%. We increased land 30%. Residential, again, we have a very strong market, increased 17%. We've been very proactive in trying to make sure that we are getting all properties at as close to 100% of market value as we can, given the data. When we do ourage says in terms of category F -- we test ourselves continually, we test the values to make sure that we are achieving our goals of market value. When you look at our sales ratio report -- this is on the second handout, page 2. Our internal studies indicate a weighted mean of 97.97% based on the data we have in our review. On category C, a ratio of 96%. On the next page. Even further than that, other than just our internal studies, this year we got a company to come out -- several companies to do fee appraisals on properties to test our models. We had independent appraisers do selected properties, we did about 25. Then we tested the results from that appraisal to what our commercial models were given us in terms of an indicated value. The appraisals, the ratio of the 95%. We are trying to be at 100% market value. Based on the data, we've achieved that. Even the report that you got supports the level of valuation when you look at the methodology comparing our current values to the sales data from the previous year, tells us 10.5%, our

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threshold could be 10%, we're very close to what our goal is and what our target should be. >> Mayor Adler: I have some questions. I appreciate you being here. And, again, I think that the analysis you do supports what I said earlier, which is based on the data that you have. >> Mmhmm. >> Mayor Adler: Your Numbers may be very close to 100% of market value. But, the -- I also heard you say many times over the last year that if you had additional data, you believe that the results that you could come up with may be more fair. Have you said that? >> Yes. We made extraordinary steps this year. We're getting better at getting data. I still think there's more data that we could use. I would like to get every bit of data. >> Mayor Adler: Let's talk about that. This may be a tool to enable you to be able to get more data. >> Mmhmm. >> Mayor Adler: Now, I understand that this report that was done had close to 800 transactions. I think I read somewhere in the report that 90% of those were not available to you. My understanding is -- I know we want to get this information to you as quickly as we can. Some of the information was presented or retained with some measure of confidentiality associated with it. I

understand that the process of a challenger and that if we're to be able to get that for this data, we have to -- with your office, we have to file the challenge on Thursday so that we can enter into an agreement with you and the board concerning the confidentiality of that information, and then we can have all the data for you to be able to take a look at. But I would be really interested in testing the premise that you've made, which is if you got

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additional data, whether or not that would better enable the process to work. I know you've raised some questions about methodology. I know that the authors of the report are anxious to have the opportunity to sit down with you in your office and argue about, you know -- or compare notes to try to come up with a methodology that, hopefully, everybody can say, "Yeah, this methodology is one that works." I know that you -- value by the district appraiser, so you're comparing appraised value to appraised value. My hope is that when you all are sitting down with the experts who did this report, that there might be a way to compare actual sales price to appraisal, rather than appraisal to appraisal. And any additional data may be able to provide a greater universe to be able to do that. So, unless what you're saying is that -- for the last year you've been saying we need to change the system to get more data. Now you have enough data, the system is good. If there is a possibility that if you had more data, the number might be better or more fair, then the question is, when we have this kind of data, or these 800, 700 additional sales, whether that might lead to a different conclusion. I know that -- you know, I'm not a Travis county ad valorem tax lawyer, never was. But I did eminent domain cases, and so my entire practice was about land valuation issues. So I see the conversation about the timing on sales and whether

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you're using back data to predict a future price, and you're limited with the data that you can have. I know in that other context, there are adjustments that can be made in a rising market. It could be armed with the additional data, your market might be different in order to catch a trend as opposed to value in January a number that might be for an older property. Again, I don't know the answer to that. I want to hopefully get you and your folks with these other folks to see, you know, how best those things might gel. But -- at this point, I appreciate you taking a quick look at the report. There's very little in the report, really, to be able to glean, to be able to test, because the underlying data isn't there. And like I said after Thursday, if we were to file a challenge, even if we pulled it down, just the mere fact of filing the challenge would enable us to be able to share with you that data. So, I guess my question is, is there a possibility that if you were able to get significantly greater data than is currently available to you, as might be possible in a challenge, is it possible that the Numbers that you would come up with might be more fair than the Numbers you could on the more limited data that you've had? >> You know, I think that all data is great. We value any data points that we can get. So, until we see the data, though, I couldn't say whether or not it would make a difference or not. You know, just looking at the report portion of it, using the methodology that is more appropriate, it's indicating we're pretty close. I don't know the data. I don't know whether or not the 90% number is true in terms of the data that we have or not, because we haven't been able to

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see the data they have. Just like there are confidentiality barriers for them to provide it to us, there were confidentiality barriers that we had in disclosing data that we have. I don't really know. >> Mayor

Adler: Let's put aside that question and keep it as an open question as to whether or not the additional data, if it was made available as part of a challenge, would enable the results to be different -- would indicate the results should be different, let's put that aside and talk about the logistics associated with doing a challenge. My first question -- >> Debbie has a point to make. >> I'd like to point out something about the exchange of data, which is what I believe you're discussing. It's my legal opinion that you do not have to file a challenge in order to exchange data. There are provisions in the local government code that specifically provide for the transfer of information between governmental entities or political subdivisions. And the maintenance of that information can be confidential under tax code section 22.27 under a promise of confidentiality. So, there are other avenues that can be taken because of your efforts to commission a report in which 729 sales were gleaned that I believe you said 90% were not available to the appraisal district. That information can be submitted to the appraisal district under a promise of confidentiality by the city of Austin through a transfer of data provision in the local government code. So, my point is that there are other avenues that can be taken short of filing a challenge, if you're looking at options in that regard. >> Mayor Adler: That's helpful. You could either preserve it by filing a challenge and turning it over pursuant to that, or, under a promise of confidentiality under the tax code? >> Yes, sir, that's what I'm saying. >> Mayor Adler: If we were to file a challenge, and then withdraw the challenge in ten

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days, is there any harm or prejudice done? >> There is no harm. The only difficulty will be scheduling the hearing and administrative matters that go into that. Getting the parties together to talk, the experts that have prepared this report, and the appraisal district employees and chief appraisal officers should be done. What you're suggesting almost happened in Harris county last year, as you may be aware, with the law firm that represents the Harris county appraisal district. So we went through that experience last year with Harris county. There was the exchange of information. A lot of meetings such as this in which information and ideas were exchanged, and the county withdrew its challenge, or maybe didn't file it at all. I'm a little vague. But it was withdrawn, and they did back off of the challenge, recognizing it was going to go forward with a plan that would incorporate re-appraisals that took into account rate changes and commercial property. I will tell you that because of that, the appraisal district now has five impending lawsuits and is working very hard -- my law firm is working hard to work through those lawsuits, which are primarily commercial. It is very arduous and expensive. This is an aside, I've been saying it to the legislature for the last five months. The budget for the Harris county appraisal district is 20% of it is for litigation expenses. \$16 million is budgeted just for litigation. That has arisen because of the increases in valuation countywide, not only commercial, but also residential. But, it is a very complicated

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matter that creates a great deal of cost to jurisdictions and to the appraisal district. In terms of what you were considering today and the challenge, however, there is no harm. I hate to use that word, but I think you used it -- to filing a challenge, withdrawing it ten days later in order to have an exchange of information. I personally, legally, think it can be done without the challenge. >> If a challenge were to be filed, it will create some delays in our process. If it were to be filed and later withdrawn while properties are under consideration of challenge, we don't do hearings. We don't resolve those matters. It puts delay in the processing for certification. >> I believe you said ten days. >> Mayor Adler: I'm assuming you're working and coordinating with who might file the challenge, the city. You could hold the hearings. It wouldn't have to hold you up, unless -- while there was -- >> We cannot make any value

determinations on matters pending before the board in a challenge. The challenge must be determined first, and then -- >> For those particular properties, is what she's saying. >> We'll continue with our protests related to residential properties. We can continue that work. But, related to the commercial properties that might be subject to the challenge, those will be abated until the challenge determination is made by the arb, or the challenge is withdrawn. >> Mayor Adler: Okay. A couple other questions, and then we'll open it to the wider group. The question of whether or not people, if there was a challenge that was pending, whether folks could make an estimated tax payment this year, is that within your bailiwick, or outside of it? >> The tax code indicates that decision would be made by the tax assessor collector, because the payment voluntary payment rule is still alive and well in Texas, although I'm sure that

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Mr. Alpack understands how riddled with problems that particular thing is. It would be very difficult legally for the tax assessor collector to accept checks or payment, I should say, for which no bills had been sent. And very difficult for mortgage companies, I believe, to handle theirs. That would be better-answered by him. >> Mayor Adler: We will. I don't know if there's a possibility of sending out a notice as opposed to a bill? >> There is no such provision in the tax code for allowing that. >> Mayor Adler: Is there a prohibition against doing that? >> We take the position legally that if there's not direct authorization, because the appraisal district is a county body, that we cannot do something. We believe that there has to be authorization in the law for an action by either the appraisal district or the county tax office, or there is -- it can't be done. We believe that authorization it is required. >> Mayor Adler: You've taken the position with respect to the certification of the tax roll, and how a challenge like this would impact that. I know there are counterviews at the table. Would you lay out what your assessment of that is for everyone to hear? >> Yes, sir, thank you for asking that question. We believe section 26.01 of the tax code and other provisions require that the chief appraiser certify the entire roll. At one time, after it is completed. Once the appraisal review board completes its work and submits the records to the chief appraiser, the appraisal roll is created. All references to certification of the appraisal roll states that the chief appraiser shall certify the appraisal roll to each of the taxing units based on the individual owner's name and the amount of value for his or her property. We do not believe that legally

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the chief appraiser could certify a roll to the city of Round Rock, and something to the county, and wait for the city. It has to be done simultaneously at the same time. I believe a number of attorneys in the business would agree with me, there are probably those who do not. I believe the chief appraiser only has the authority to certify a tax appraisal role to the units. >> Mayor Adler: Okay. Any other opinions that you have on the major issues that I didn't ask about? [Laughing] >> You're being very sweet. [Laughing] >> The only people that more opinions than I do are appraisers, and they have many opinions, usually, on the same piece of property. So it's >> Just a couple of other things. I think that there are alternatives for the council to consider as far as filing a challenge. There are other mechanisms in the tax code for taxing units to take -- three of the tax code that authorizes -- not following the law. -- Market value for a category of properties. Could you bring a direct lawsuit rather than going through the challenge process. The only advantage to that is that you speed up the process and in fact the certification of the appraisal roll, it doesn't affect the certification and in the tax rate setting for the taxing jurisdictions. In my mind, whether there's any relief that can be granted by the time it comes, it's a different issue altogether. But in terms of the

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administrative process and the taxing jurisdictions, a lawsuit could be brought directly under chapter 43 of the code. In addition, there's a provision in the tax code in chapter 42 that permits a taxing unit to intervene in a lawsuit that has been brought by the appraisal district against a taxpayer. Those are extraordinary measures. Currently, the appraisal district has three lawsuits that it has filed because of an A.R.B. Determination they believed was much too low and so the law permits a -- an appraisal district, the board of directors, to file against a -- it's kind of against the taxpayer. In fact it is against the taxpayer because the arb determination was too low. There are cases in which the city -- I'm sorry. I apologize. Two cases in which the city of Austin could intervene as a party plaintiff and be able to provide your resources, your support, for that sort of action. The third matter that I think is possible, although I have not seen it done, it's certainly -- it certainly makes sense to me, the appraisal -- the appraisal district must prepare a reapproximately plan every two years, biannual reappraisal plan adopted by the board of directors by September 15 of every even-numbered year. That reappraisal plan lays out what the appraisal district is going to do in terms of reappraisal, what neighborhoods are going to be targeted. I use that word very loosely, how they're going to do it administratively, time line, how they're going to gather data and the like. The city of Austin could conceivably create a it was to work with the appraisal district in the development of a reappraisal plan in order to -- have direct

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communication with the board of directors about your concerns about things that you want to see the appraisal district do in preparing its reappraisals each year. And that is a consideration that the council could make. And so there are other avenues that can be followed rather than filing a challenge on a direct category of property. Although I'm not trying to discourage you, if you would like to do that and withdraw it in ten days after we've some preliminary hearings and the like or meetings -- not hearings, but meetings, that would be at your prerogative. I don't want you to think it's the only course that you must take in order to make your concerns known to the appraisal district and to the public. There are other steps that can be taken in lieu of the challenge. >> Mayor Adler: And it could also be, after the ten days, that the chief appraiser finds that the additional data -- that there is additional data that was not available to her and it could change the conclusions and then we both go to the board, recommending that the challenge prevail. We just don't know what would happen at the end of that ten days. >> We do not know. >> Mayor Adler: There were some other -- David, did you have a -- talk to me a second about the timing, though, for when the tax rolls would be certified under how you see that scenario playing out. I'm asking -- your scenario was as you back things out that the roll might not be certified until November. Just generally speaking. >> And there's two ways this could play out. If a challenge was filed and it depends on what the determination of the appraisal review board is. If a challenge was filed and a reappraisal is not required, then there are some delays that occur because the challenge, the notice that we have to give, our processing,

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that would indicate that we would probably be able to appraise at the end of August. That's assuming that we're not required to -- reappraise. If the determination from the appraisal district as a result of the challenge is we must reappraise all properties, then after the challenge determination, the appraisal district would have to go through reappraisal efforts and we're estimating it may take us six weeks case, best case scenario, best case, we're saying it may take us six weeks to do our reappraisal efforts. We then have to send out notice to the owners of any value property changes and give them 30 days to file

a protest. Once they've filed protest and the deadline has come we can begin again the process of holding those protest hearings with the appraisal review board. Typically takes us 26 days to go through that process so we estimate we would probably be able to certify the roll mid-november. >> Mayor Adler: The timing on the first scenario, where a reappraisal was not necessary, falls within the -- I guess the statutory time that's allowed for that to be done if you extend the period of time. >> Yes. >> Mayor Adler: So that would still get information to the taxing entities in a way that was timely, not too dissimilar to what happened last year. Is that right. >> It may be a little later than last year, last year because of the challenge we had delays but were able to certify August 12. In a typical year when we don't have any challenge issues we're able to certify by July 20. What we typically do. When we've got a challenge it puts a delay on some of our process and I would estimate we'd be able to do it before the end of August, within our statutory guidelines. >> Mayor Adler: So it would only extend things under this scenario if it was determined that a LE appraisal was necessary because the initial appraisal was not fair? >> Yes. Yes. >> Mayor Adler: Okay. David, do you want to talk? Is there an alternate theory

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of the universe that has the schedule coming out differently? >> I'm not certain. Thank you, mayor. I'm not certain that this -- that this is the best venue for the lawyers to have that discussion, but suffice it to say, that there are at least a few entities, as lawyers believe, that that's with all due respect is not the proper reading of the law and that the schedule would not be delayed pronounced due to a challenge. And I would suggest -- I've chat wad few of the lawyers before this meeting, anticipating that this might come up here, and might suggest and we're interested, many of us are interested, in moving to another room and having that type of discussion among the lawyers first. >> Mayor Adler: Okay. And I think that would be helpful, and I think there's some other lawyers that are present at the table here, some brought by aid and we also have buck wood, who is present with us today. And I guess another question I would have, if there was a difference in the interpretation of the law, if there was a case to be made that you could bring a challenge like this, even a successful one that resulted in a finding of unfairness or that the properties needed to be reappraised, if there was a legal scenario by which you could do that and not set back the certification of the roll so that it would not impact the taxing entities' ability to be able to set their budget and their tax rates, I guess the ultimate question would be whether or not -- if we're trying to figure that out as a community. There are ways to tee up those kind of questions more quickly by agreement than they would otherwise get Teed up. People can waive answer periods. People can waive durations for motions on summary judgment.

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And recognizing that nobody should weigh anything that doesn't enable them to be able to do their -- do their job. My experience in litigating those is that if you have two parties that are both trying to get judicial direction on what might the law be, that those parties can move together and -- I mean, it would be conceivable that could you get something -- the legal question, because it's a legal, not a factual question. A legal question like that Teed up in front of a district judge in a matter of weeks. Is that something -- of course, again, I'm trying to figure out as a community if we can figure out if something like this might work, but trying to avoid harm whether there's a way for to us get judicial direction quickly so that we could then evaluate as a community whether or not to proceed. Does that make sense? >> Yes, it does make sense. However, just a little -- one complication. The arb hearing is going to go through as quickly as possible if you were to file a challenge if it orders a reappraisal, however, that is a process that is outside any judicial realm. I mean, the arb has ordered a reappraisal and so that has to take place before anything else could occur. Once that's completed, as she pointed out on the time line,

within six weeks if that's possible, then there is the legal issue of due process to allow taxpayers to protest. So none of that is going to receive judicial determination because they have to have the protest hearings. The time line isn't really -- isn't anything that we could go into an agreement on or that the judiciary could actually rule on. There would have to be a situation where there was a direct challenge -- not a challenge -- I don't want to use the word "Challenge" but a

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man dam us order or something filed in the court by the city of Austin to command the appraisal district to do certain things outside of the administrative process in the tax code. And, quite frankly, I find that would be very difficult for a district court to do because the district court will not want to say to a taxpayer you cannot exercise your due process rights to protest the value that is a result -- that's what backs up this time line so much. >> Mayor Adler: Right. My belief would be that any scenario that another lawyer would suggest as a way to be able to move forward in this process that allows a certification of a roll would not involve the denial of due process to any taxpayer. >> Correct. >> Mayor Adler: I can't believe anybody here at -- anyone sitting at these tables would endorse that kind of result. So it would be good for the lawyers to speak, but my belief is that the alternative reading of the law may allow for a parallel process to work or for certification of the roll to occur at an earlier time or while -- because the statute speaks to protests being resolved by a certain point and not challenges that the law might imply a difference between protests and challenges, that there may be interpretations of law that don't deny due process. My question would be whether or not, if we got the lawyers together and we were trying to work as a team to try and get the best available options available to the community, whether it might be possible, even while a challenge was filed and even while the arb hearing was being set, that there might be ways to move quickly forward with a declaratory judgment action or some other action that would tee up to a district court the pending issue that we have. And I would think that a court in that instance, recognize

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recognizing the great need of the community to know the answer to that question as soon as it can so that it can make decisions, each of us -- a judgment be -- judge might be very willing to step in and decide that question. I would hope -- that's why my question went to whether or not we could -- if that was the case, whether we could move together collectively by agreement to waive the deadlines periods as best we can so as to get that before the court. Because it would be wonderful if the counter views of the schedule could get decided by a district court real quickly so that the decision could be made about whether or not to proceed. If that was an important factor. >> I certainly understand your position. >> Mayor Adler: Okay. We won't ask you to commit now, but I think that's -- but that's an important question. And my hope would be that if that got to that place, it could be done in a way that -- that that kind of action wouldn't be adversarial but it would be a community going together to a court to say, help us understand the parameters within which we have the ability to work. >> And I could see that direction would be useful. I will say that in such an action -- to waive statutory deadlines that would detrimentally impact the constitutional duty of the tax assessor collector and I would feel very -- would I not advise my client to do that particular thing. >> Mayor Adler: Okay. And I understand the deadlines I would be talking about waiving would not be any of the statutory deadlines with respect to the appraisal process that guarantee the protection, but more just getting it to a district judge to be able to adjudicate the issue. So rather than taking 20 days in the next Monday to respond to the lawsuit, if we were working cooperatively and this was a question of law he could respond more quickly. >> Absolutely. >> Mayor Adler: Instead of

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having the deadlines for the amount of time that's required when you have a motion for summary judgment before you have to file a response and then the reply to the response we might be able to sit down as a group and say let's waive those kinds of things as quickly as we can, give everybody time to be able to tee up the issues. Those are the kinds of things we could get in front of a judge. >> Certainly. >> Mayor Adler: I think those things could you agree to without prejudicing any of the taxing entities. Well, in the absence of having the lawyers talk publicly, which I think we'd all love to sit and watch but I'm not going to ask people to do that, I'll throw open the floor for people to weigh in or make suggestions or -- or communicate. I think from where we sit, if it is true that additional data can get us to a fairer result and if a challenge in this case is a way to get that additional data and if that additional data would get us to a fair result this year, if there is an imbalance with respect to how taxes are paid, then there's very little that any of us could do on behalf of the homeowners and residents, renters in this city on affordability than to move something like this forward and get that burden rebalanced. There's very little we could do. And that would have a greater impact, although we should be doing everything we can. And if there's a way to do that that works, that doesn't prejudice people, then I think we owe it so everybody to see whether or not that exists. So what we're struggling with,

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what our counsel is struggling with, is is there a way for us to get from here to there cooperatively tees up those issues and enables that work to be done in a way that doesn't harm the system. And that's where we are. That's where we are right now, trying to figure out the answer to that question. Anybody want to weigh in? Ms. Pool. >> Pool: Mayor, one of the concerns that we were talking about the last time we discussed it in a work session was the effect on the payment of property taxes during calendar year '15 in order to preserve the IRS tax exemption that people can take on their personal tax returns. Could we -- could I toss that question over to our tax assessor collector to talk about payment that might possibly still occur by December 31 for those people who pay in the calendar year? >> Sure. I'm a little afraid to answer this with all these lawyers in the room, but -- [laughter] >> I will give it a shot. And answer the mayor's earlier question about could people pay in advance of receiving a tax bill. And the answer is, yes, but. Yes. We could -- if you wanted to send us a \$5,000 check we can receive it and escrow it. I'm looking over at my property tax manager to make sure I'm doing this right. But every payment will be wrong, ultimately. Most people have not paid quite enough. Some people have paid too much. For the people that haven't paid enough, we will have to send out a supplemental bill to receive the remaining amount. For the people who pay too much, if there are some, we would have to send out a refund check to them. So we have some computer programming there, and we have some other resource issues.

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But, yes, in absence of a bill, people could send us a check. We would put it -- or hopefully they would do it online, right? Pay online. And we would put it in an escrow account, waiting -- pending a bill where we could calculate the right amount. Oh, I'm sorry. You're waiting for me to -- the question about the -- we've asked that question last week, and the answer we have received is we believe that you would be able to claim the tax deduction for the amount you paid in advance of December 31. >> Would or would not? >> Would. That's the answer we received last week. >> Pool: I think that's a real important piece of information for us to inform the residents of Austin who pay personal -- who pay their income taxes and

have that important deduction on their tax returns. Thank you. >> I just want to make a note that, yes, we will be posting that money into escrow. We won't be able to disperse any of that -- of those funds to the jurisdictions until we have that tax roll. >> Mayor Adler: Which begs the question about the tax roll and hopefully the attorneys will end up in a back room and start the process of figuring out -- at least identifying what the issues are that we could tee up in front of a district judge as quickly as possible to get some kind of resolution. Yes? >> Thank you. I just have a clarification question. Assuming that you could certify the tax roll, proceed with a challenge, if there's a change to the tax roll as a result of the challenge, what happens? -- Or retroactive application to the tax bill? >> Have to sit down and discuss that. >> Ah, okay. So another -- I'm going to throw out another question then, too. I should know this, but I

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haven't practiced tax law in a long, long time. In terms of making a deduction on your income tax return for an estimated amount and then filing your income tax return, if the amount that you deducted changes, you may have the ability or the requirement to go back and retroactively amend your tax return. Just another consideration in terms of how kind of the rolling impact. If you've overpaid, then you would have -- you would have deducted too much and so you would be required to file a 1040 amended return. >> Mayor Adler: And it might be even the schedule that was presented by the appraisal district, the certification would happen in -- in November, so the real tax bill would go out in January. So anybody that was not filing their tax return prior to mid-January could only conceivably, I can't give tax advice but might take the deduction for what they could take a deduction for. >> You can only take a deduction for what you actually paid. Your bill wouldn't come in until after you paid it in order to take the deduction that year. There would be a reconciliation, to Ann's point, the question is whether -- >> Mayor Adler: Got it. >> Kitchen: If you underpaid you wouldn't have that problem. >> Pool: I was advised yesterday -- was it 48% of the homeowners file by December 31? >> About 48% of the tax revenue we receive is received by December 31. >> Pool: Okay. So that's not Numbers, it's dollars. >> That's dollars. >> Pool: Okay. And then there is the January 31 deadline or February 1 I guess is the other before penalty kicks in. Is that correct? >> That's correct. >> Mayor Adler: Does anybody else want to in? Ms. Houston. >> Houston: Mayor, I'd like to hear from some of the other jurisdictions, if that's

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possible. >> Mr. Player. >> Mayor Adler: Yes. >> Council, mayor pro tem, thanks for -- first of all, thanks for having us at the table and even having the discussion. I mean, we know that, you know, you could take these actions with us being here so I really do appreciate that. A couple points that I'd like to make, I do agree with my colleague, Debbie, in our industry, I would have to hear the other side of that law because I think there may be some wiggle room for school districts because you get a precertified estimate in April to the school districts, which then can, in June, actually adopt their tax rate first and then adopt their budget, and so they would have their money based on that, whereas cities and counties I don't think have that opportunity, number 1. Number 2, I mean, this is a -- to me, this is a state issue that a bunch of locals are trying to resolve because our state legislature will not resolve it. And with all due respect to my chief appraisers they're not the ones that need to be lobbying the legislature about sales disclosure and equal and uniform. And I would encourage all of us sitting at this table to delay this action and get a group to truly lobby our legislature to make them change this. To help provide the appraisal district the true information that they need to make the best estimate of the values. The other thing is you've mentioned the equal and uniform. That is a

modification that I think -- that came into play in the '90s, late '90s, and I promise you the lawyers that wrote that law are

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sitting here just anxiously waiting for to us file this challenge. Because they will help all these commercial properties. The other thing that hasn't really been mentioned a lot, clearly what it does to the taxing jurisdictions for us is it delays our adoption of our tax rate, our budget, a unilaterally lateral unilateral action by the city of Austin makes our jurisdiction dip into our reserves and try to function with that budget through the first four or five months, and I'm just -- I'm firmly against that and I believe our city is firmly against that. And our taxpayers are against that. The other thing, not only will this bring a lot of additional costs, there's the litigation cost. I know you mentioned \$16 million. That's paid by our taxpayers. That's paid by our taxpayers. And their thing is if you go through this challenge and there's a big enough properties that have dollars involved, you also pay if you lose. And that comes from our taxpayers. Up to \$100,000 per account. Depending on the a money. And so that means any savings that you might get, you may have to give back to the lawyers. And I'm a lawyer so I'm probably going to get shot by my fellow lawyers, but those are some of the concerns that I have, is that the savings -- I mean, I'm looking at these Numbers the appraisal district gave and, you know, your residential is capped at 10%. So some of these are on average 20% to 25% higher at the commercial level. And then, you know, the -- one of the things we struggle with -- and everybody appreciates the concern of the residents versus the businesses taking on their fair share. I think every one of us at

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this table have concerns about that. But, you know, one thing that I struggle with as an elected official -- and we have several -- plenty of renters in some of our neighborhoods, and, unfortunately, the tax code doesn't address exemptions for people that rent property. It just doesn't. And we've tried to find -- you know, you can look for ways. And so I really -- I struggle with that because I do want to -- I mean, they are taxpayers. You know? And so those are some of the concerns I have from our city. Our mayor couldn't be here. He's coming -- I know he would be here. So that's just some concerns I have. >> Mayor Adler: Your mayor did e-mail in. I greatly appreciated him doing that. >> I'd like to speak on behalf of cedar park, even though it's my opinion as a councilmember. I'm actually the newest cedar park councilmember, been there about a year. And our mayor talked to you directly as well is my understanding, Matt Powell. >> Mayor Adler: Yes. >> First of all, I want to echo thank you. Thank you for inviting us and letting us come and have a voice with y'all. And, you know, a applaud what you're trying to do. I had a front-row seat during a lot of these battles over appraisal reform. It's a complicated issue so I applaud anybody that's trying to fix it or make it better. We're going to have the same citizens, cedar park is, that some of you other folks are having in terms of budget tear planning, being able to weather this out if you move forward with the challenge and the timing process. Same thing with the mortgage payments and how that's going to play out. We haven't really been talking about the spending side of the table, just the revenue side. Presumably some of the comments I was hearing was even if you're successful and we get, you know, more revenue from the commercial side, then what you do with that, you know, do you keep the tax rate the same? Do you lower the tax rate?

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That's going to have a -- if that tax rate changes, like you said, for the homeowners who are paying -- basically trying to predict their taxes, then it may create a whole other set of filings and I really don't

know how that would work out. Cedar park does have one particular thing that may be different from some of the other entities. That is we're on the verge of wrapping up a bond it was towards doing a bond election this November and our bond advisors and counsel, as I've been told from staff, this creates a lot of uncertainty and problems with our bond election. And they have a lot of questions as to how this would impact that. I'm not a tax lawyer or a bond lawyer, but we can talk to you directly about that. So other concerns I have, one is when I look at what Harris county does -- when I was in legislature I did represent a district in Harris county, and the county commissioner who had halving my district was a guy named Steve Radick. He's been there 30 years he was pushing this last year with Harris county. If any of y'all know him, he's a bile dog, okay? So I was a little -- it was interrogatory me that he pulled back and then had some form of a settlement or something with had where they reached a deal on swapping information or maybe methodology. I don't know the details of that, but I definitely think he would be an interesting guy, mayor, for you to talk to as to just what exactly happened. I know what I saw online and the papers, but I'd be interested in what maybe is not in the papers about that. And I also noticed that there's more focus on the vacant commercial as opposed to non-vacant. When I was looking at y'all's report that did you those were pretty big differences. I see here on page 8, the large office buildings were undervalued according to the study 14% but vacant was, like, 94%. That's a pretty big difference. And I don't -- I know Harris county's was strictly looking at vacant.

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I also saw where the comptroller's property value study that came back on their commercial actually came in at 101% of hcad so I don't know where the comptroller's product value came in on y'all's commercial but I didn't see a single reference to that in your report. So I don't know what the comptroller's study shows. We also have a concern, little bit, about the process, if you move forward with the challenge. I noticed that there was a section in here in the tax code 4105 that says the attorney general and representatives of any state agency to have leasehold interests or ownership interests must be allowed to participate. When I think about some of the folks around here that have those interests, I think -- I'm thinking of, you know, first of all we have the attorney general, paxton, general land office headed by George bush, facilities commission, Harvey held brant, former legislature, txdot, from Odessa, former legislature. Phil Wilson, I'm not sure what that does or -- I've heard predicks about timetables, but I don't know -- I don't feel that good about timetables when all those people start jumping in, okay? [Laughter] >> And then I think -- my understanding is there's also an appeal to the district court after this, the litigation cost piece of this I'm hearing from Harris county, that's something that concerns me. In terms of asks, would I say I kind involve two groups, I guess. One would be if it's postponed and another set of asks would be if y'all decide to move forward. The ask if you postpone I would say is I would rather try to do a challenge like you're referring to, and, again, I haven't conferred with all the councilmembers in cedar park and the staff about this, but that it be done in 2016 so that the entities have more time to prepare and be able to weather a budgetary

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delay that we were not afforded this time. I read in y'all's draft resolution that there are about one fund taxable entities involved in this. I don't think there are 100 taxable entities here at this meeting but that's a lot of folks. It would be easier to understand from cedar park's perspective what we're up against and how we fund this deal if we had more time -- I've heard the word "Collectively, collaboratively" and I totally agree with you. I think that would be the right way to go forward with a challenge and I feel like we're a little strapped on time this time. Also, in terms of postponement is what councilmember Morgan from Round Rock said, that is we need to have a better strategy at the

legislature because this is not an Austin problem. It's a statewide problem. Everyone is frustrate multiplied at the end of the day I get these e-mails from tml and the associations and counties and urban counties and they talk about the appraisal caps, revenue caps, and they have their agenda, local control but I've never really seen this collaboratively, weapon some of the private -- with some of the private sector groups, we need everybody, all hands on deck. Just like sometimes it can be hard to figure out which room to have a meeting, what time to have a meeting, imagine what it's like going into legislature and trying to get everybody to understand this problem. Because it is complicated. And so if we do move -- if y'all do decide to move forward with the challenge, I do have a couple of asks, I guess. One would be for you, mayor, Steve raddick, if you haven't talked to him, I think he'd be an interesting guy to talk to about what happened there with his deal. And, secondly, I would even recommend -- he's a busy guy but recommend you call John sharp. John sharp, black we went through this whole appraisal reform deal last time he was the one heading the commission, he was the one that had, like, 14 hearings around the state, I attended four of them. I went to the Dallas, Austin,

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Houston, El Paso ones. He knows a lot about this, and, you know, he's former comp troll and I think comp patroller, he'd have a broad perspective, if you can get ahold of him, and I'm sure you can, to get his take on things. Where the undervaluations went. It looks like some were much higher than others. If we're talking about a timing issue, if you could further narrow maybe what types of commercial you're really going after, it may be easier for the rest of us. That's pretty much it. So thank you. >> Mayor Adler: Very helpful. Thank you. >> Mayor? >> Mayor Adler: Yes. >> Troxclair: There have been a couple comments, and I certainly understand we have the same concern here in Austin about the delay of when the revenue -- if this moved forward and, I guess, kind of worst or best case scenario of when -- how far the revenue would be delayed ultimately. I know there was a mention of four to five months, which is significantly different from what we have talked about in Austin. So can we get some -- I don't know who the right person is but can we get some clarification on what that time line would look like if a protest is successful and the tax rolls are delayed and the January 31 deadline is postponed? >> Mayor Adler: To frame that, so the information came from the appraisal district was that if there was a challenge and it was successful the tax rolls would be certified in November. That then goes out to all the districts, the districts, I guess, if they've already decided on their budget, could set their roll for the district district it's more pro Forma, I guess, and then it's a question of going through the truth in taxation time frame. The prediction was tax bills could go out in January. Does that sound about right? >> That's about right.

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Depending -- depends when in November. About a 90 day calendar from the time of certification. 60 days for the jurisdictions to do what they have to do under truth in taxation and 30 days for the tax office to do what we have to do and male out the bills. Jan ten is a really important date. If we can get the bills out before January 10, the delinquency date doesn't slip. If we send them out on January 11, the delinquency date slips to March 1 rather than February 1. We would want to do everything we can to get all the bills out in November. That's problematic. >> Mayor Adler: Yes? >> Tovo: Do you have an estimation of how many papers pay their bills in a timely fashion versus the number who pay after the deadline. >> The vast majority pay timely. I think our collection rate on the deadline is 96, 97, 98%, right in there. The delinquency rate is very small. >> Tovo: Thank you. That's very helpful. And you said 48% higher -- >> 48% of the revenue comes in by January 1, yes. >> Tovo: Thank you. >> Mayor Adler: Yes, sir? >> Travis [indiscernible] From Travis county. I'll start with a question because it's timely with what

the tax assessor mentioned by taxing entities have 60 days to set their tax rate after assertion and I would think no matter what happens if it's delayed, the certification is delayed past the Normal July time frame or it goes to November that all entities think of a way to press that 60 dies certain hearing requirements and public notices but we all need to be prepared to do it shorter than Normal so we can get the tax bills scout get the information to the tax assessor as soon as possible. Regardless regardless what have happened we all need to work together to be prepared to see if we can compress that schedule and meet all legal

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requirements. I think on behalf of Travis county we're prepared to work with T tcad to address the unfairness, and work with everyone to gather all the costs involved to mitigate them in fairness and, I guess, we're concerned with the issue of fairness and we feel like the evidence presented is persuasive. Thank you. >> Mayor Adler: Thank you. Yes, Dr. Rhodes. >> First of all, thank you also for including us and bringing us all together. First of all, ACC's business is delivering education and workforce training. The one thing we can't afford to do is jeopardize that because of tax collections and the delay in tax collections. Because our budget and the timing of our expenditures and collections is all built around that and the majority of the tax collection comes in December and January. And as a result the legislature, the way that they deliver our -- a state appropriation check from the state. And so if the timing is such that it delays us significantly, then it begins to jeopardize our ability to deliver the service that we need to do here and so we're really concerned about the certification date and the timing after that to set the tax rate and then the collection time line that follows that. And if that's going to delay it significantly so that we can't collect during December and January, the bulk of those taxes, then it's going to give us some issues. >> Mayor Adler: I think it's important -- and, again, I'm interested in the attorneys meeting when this is done so that we can begin to get an answer to that question. There are at least several people in the room, attorneys, that don't believe that a

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challenge like this would necessarily result in a delay, believing that process can work in parallel. And it may require a judicial determination for everyone to feel comfortable with that. But that's an avenue that is open to see. >> Kitchen: This is probably an offline conversation, too, that you've already considered, but I'd just be curious, the extent to which there's some flexibility at the legislature when they send you appropriations. I'm certainly not familiar with what works with your organization, but I do know with other organizations there is some flexibility that when an appropriation gets paid. That would just be my question. >> Mayor Adler: Okay. Someone over there was raising their hand a second ago. Yes, sir. >> The Austin independent school district also says thanks, mayor, for pulling us all together. This has been a tremendously valuable exchange. I see a lot more coming. This lawyer is very interested in getting together with the other lawyers. Our interpretation of the law is more akin to the county attorney's, and so either -- and we're in the midst of a lot of great legal talent here. So I am hopeful that the attorneys can get together and really work through the differences here, but this notion of a community solution is a very strong and attractive notion. There are a lot of complications. There are a lot of hurdles that would -- but, you know, the Austin independent school district is going to remain very interested in all of the issues, but we're particularly interested in the timeliness of the issue Wednesday of the certified tax roll which we believe the law requires be done by the end of August.

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>> Mayor Adler: Okay. Anybody else want to jump in? Yes. >> Thank you very much for having us here today. I'm not going to say anything that hasn't been already said, but maybe just some thinking about creativity. We don't know how -- there appears to be differences in legal opinions about whether there's a certified roll or not. The central health has the same challenges mentioned by our friends around the table. Anything more than a 30-day delay into revenue collections for us is significant, not only for our own current operations but our ability to draw down federal funds, which is a pretty significant part of how we do business. There's a very aggressive schedule that's been put out by hhfc in the first quarter of next year, and so we have to have the cash available in order to draw down available federal funds. So that aside, if there are going to be delays or if -- there should be a conclusion this is the right thing to do and it results in delays, I think we can also echo what Travis was saying, that there's a -- we should think about the creative possibility to try to fill in these cash gaps. If that's an appropriate thing to do. Because maybe there is a way to proceed in a path that achieves the end result that if there are delays in cash, there are some ways to mitigate those cash flows that aren't just going to reserves. Reserves pose a problem. There might be other ways of borrowings or cash flow advances. Not sure what they are, but I think that's something we should consider. >> Mayor Adler: Okay. Thank you. Yes, sir. >> Thank you, mayor. I have a saying that the solution is in the problem so in light what have I've heard this morning, I think most of us here, our problem is the certification date, which then allows us to set a tax rate

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and collect revenue. If the dispute is over the methodology, then, I mean, from what I heard the councilmember from cedar park say, is there a possibility for the city of Austin to limit its scope to a subset of the commercial property, that is maybe 3% of the tax roll, so that the chief appraiser can southeast 95% within a reasonable time? So that's my suggestion. >> Mayor Adler: That's a good suggestion too. I know that one of the open questions are the classification that would be included in any challenge if a challenge was filed, both raising issues as to class of property, as well as jurisdiction and geography as well. I want to thank everybody for coming. >> Yes -- mayor, can I ask one more question from my staff texted me a question for had. Is there a way to know what percentage of the residential tax payments come from mortgage escrow accounts since those taxpayers can't make an estimated payment before the year end? >> [Off mic] >> Travis. I meant tcad, sorry. >> Travis county tax office. There's usually about 140,000 records that are paid by mortgage companies by the end of December. So I would -- that is probably about a third of the tax roll. >> Okay. Sorry. Thank you. >> Mayor Adler: Mm-hmm. On behalf of our council, thank you for coming. More and more of the issues that we'll deal with here in central Texas are regional and

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cross-governmental and I -- it feels good to have leaders from around the region sitting at the table and to bring in that kind of expertise and advice. We have a -- you know, an affordability committee that we started with -- that has cross-jurisdiction jurisdiction participation. I hope we do more of that. We're looking forward to working in campo and other things in very regional ways. This is a conversation that we should keep going. Don't feel like you left here, the conversation is over. You can e-mail any one of us. Our council counsel. I know our manager, Marc Ott wanted to be with us today but he's dealing with post flooding issues but sends his apologies for not being here with us. Let's keep the conversation going. I would hope that the attorneys in the room that are here right now, including buck and the bigger -- bicker staff attorney and David and Ms. Cartwright would convene and figure out the answer to that question. It goes without saying that time is of the essence here and I think the goal should be to

narrow the legal issues, not necessarily decide the legal issues. But narrow the legal issues and then figure out how quickly, if we were all cooperating, we could get judicial direction on those issues in case that's an -- that said, thank you all for coming. Greatly appreciate it. Thank you. [Meeting adjourned]

[11:47:41 AM]

>> Mayor Adler: We're going to go back into closed session pursuant to 551074 of the government code to discuss personnel matters related to the appointment of an auditor and pursuant to section 551.071 of the government code -- I'm sorry, five -- 551071 of the government code the council will consult with legal counsel concerning the challenge matter. We'll go into executive session. The time for us is 11:45 thank you. [Meeting adjourned]

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[2:10:29 PM]

>>> We are in closed session. We took up and discussed personal matters related to item three. Competitive matters related to item four and legal issues related to number five. And we also absent a quorum are adjourning our work session for today. The time is 2:12. [City council adjourned]